

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 8, 2021

Pleasant Grove Apartments, located at 1721 Pleasant Grove Boulevard in Roseville, requested and is being recommended for a reservation of \$2,218,749 in annual federal tax credits to finance the new construction of 97 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project requested \$12,800,475 in state tax credits, but due to the limited availability, is not being recommended any state tax credits. The project will be developed by Mercy Housing California and will be located in Senate District 4 and Assembly District 6.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-21-696

Project Name Pleasant Grove Apartments
 Site Address: 1721 Pleasant Grove Boulevard
 Roseville, CA 95747 County: Placer
 Census Tract: 0210.40

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,218,749	\$12,800,475
Recommended:	\$2,218,749	\$0

* The applicant made an election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: Mercy Housing California
 Contact: Stephan Daues
 Address: 2512 River Plaza Drive, Suite 200
 Sacramento, CA 95833
 Phone: 916-414-4440
 Email: sdaues@mercyhousing.org

General Partner(s) or Principal Owner(s): Mercy Housing California 101, LLC
 Eskaton

General Partner Type: Nonprofit

Parent Company(ies): Mercy Housing California
 Eskaton

Developer: Mercy Housing California

Bond Issuer: California Municipal Finance Authority

Investor/Consultant: California Housing Partnership

Management Agent: Mercy Housing Management Group

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 98
 No. / % of Low Income Units: 97 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (8 units - 8%)

Information

Housing Type: Large Family
 Geographic Area: Capital Region
 TCAC Project Analyst: Sarah Gullikson

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 15	15%
40% AMI: 14	14%
50% AMI: 24	25%
60% AMI: 44	45%

Unit Mix

20 1-Bedroom Units
 39 2-Bedroom Units
39 3-Bedroom Units
 98 Total Units

<u>Unit Type & Number</u>	<u>2021 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 1 Bedroom	30%	\$510
6 2 Bedrooms	30%	\$612
6 3 Bedrooms	30%	\$706
3 1 Bedroom	40%	\$680
6 2 Bedrooms	40%	\$816
5 3 Bedrooms	40%	\$942
5 1 Bedroom	50%	\$850
9 2 Bedrooms	50%	\$1,020
10 3 Bedrooms	50%	\$1,178
9 1 Bedroom	60%	\$1,020
17 2 Bedrooms	60%	\$1,224
18 3 Bedrooms	60%	\$1,413
1 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,548,663
Construction Costs	\$27,920,176
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$2,817,018
Soft Cost Contingency	\$322,029
Relocation	\$0
Architectural/Engineering	\$1,370,855
Const. Interest, Perm. Financing	\$2,441,750
Legal Fees	\$100,000
Reserves	\$293,917
Other Costs	\$3,158,178
Developer Fee	\$5,565,424
Commercial Costs	\$0
Total	\$46,538,010

Residential

Construction Cost Per Square Foot:	\$297
Per Unit Cost:	\$474,878
True Cash Per Unit Cost*:	\$440,537

Construction Financing

Source	Amount
Wells Fargo Tax-Exempt	\$24,695,000
Wells Fargo Recycled Tax-Exempt	\$6,360,191
Eskaton Land Contribution	\$2,180,000
Deferred Costs	\$1,989,096
GP Contribution	\$100
Deferred Developer Fee	\$3,365,424
Tax Credit Equity	\$7,948,199

Permanent Financing

Source	Amount
CCRC Tax-Exempt	\$5,183,000
City of Roseville HTF	\$5,000,000
Eskaton Land Contribution	\$2,180,000
GP Contribution	\$100
Deferred Developer Fee	\$3,365,424
State Credit Backfill (TBD)	\$10,827,477
Tax Credit Equity	\$19,982,009
TOTAL	\$46,538,010

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$42,668,250
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$55,468,725
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$2,218,749
Total State Credit:	\$0
Approved Developer Fee (in Project Cost & Eligible Basis):	\$5,565,424
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	\$0.90060
State Tax Credit Factor:	\$0.84587

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Significant Information / Additional Conditions

The reservation of tax credits is contingent upon verification by HUD of the rental subsidy contract rent amounts within 180 days of the date of reservation.

Resyndication and Resyndication Transfer Event: None.

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee’s next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, TCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.